

**SUMMARY OF
PILOT TRAINING
SEMINAR FOR MUNICIPAL
FINANCIAL OFFICIALS,
MAY 11-12, 1999**

**PRAGUE,
CZECH REPUBLIC**

Prepared for

East European Regional Housing Sector Assistance
Project
Project 180-0034
U.S. Agency for International Development,
ENI/EEUD/UDH
Contract No. EPE-C-00-95-001100-00, RFS No. 404



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May 1999
UI Project 06610-404

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**SUMMARY OF PILOT TRAINING SEMINAR
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OBJECTIVE AND ATTENDANCE

As reflected in the evaluation summary (Attachment 1), the seminar seems to have been well received. The intent of this seminar was to attract those municipal officials from medium sized cities with a background in municipal finance and representatives of financial consultants and/or financial advisors to municipalities. The final number of registrants was 24, including Ivan Cerny, Mayor of Uvaly and Chairman of the Finance Committee of the Union of Towns and Communities (UTC). Another registrant of interest was a representative of the Komerčni banka (Slovakia). Participants came from fifteen municipalities, while nine represented financial institutions. (*See Attachment 2 for the profiles of the participants.*)

In preparation for her future role as trainer, Ms. Pekova gave the opening presentation and then participated in the rest of the seminar, including lively contributions in the breakout session on City F. Ms. Zdena Stankova from the Czech Moravian Bank, who has helped to present earlier seminars and will be one of the Czechs to conduct these seminars in the future, also attended all sessions of the seminar. She helped facilitate discussion and was generally impressive in the workshops on City F.

SEMINAR PRESENTATIONS

Capital Budget

Ms. Pekova gave the opening presentation, the objective of which was to introduce the participants to the concept of the Capital Improvement Program (CIP). To aid her in this mission, the Urban Institute (UI) provided her with a publication by the Government Financial Officers Association on the subject (*Capital Investment Programming for Smaller Governments*). In the opinion of the UI consultants, Ms. Pekova's presentation was strong, but did not fully explain the concept of long term capital improvement programming. At present, most capital investment planning by Czech mid-sized cities either covers the upcoming fiscal year or, at most, the remaining period in office for the current mayor.

The participants evaluated Ms. Peckova's contribution highly (70 percent excellent, 30 percent good) indicating that they found her presentation useful and

interesting. Her delivery is confident and without nonsense. Ms. Peckova has made substantial progress as a seminar instructor on municipal credit since UI first began to collaborate with her.



Assessing Municipal Debt Capacity

During the presentation on capital budgeting and City A, the participants were not actively participating. During the breakout/workshop sessions this changed and the discussion in each group was lively. The charge to the participants in each group was to consider themselves as Financial Advisors to City F. They were to study the narrative, Exhibits and Work Sheets and to suggest to City F additions to or alterations in that information that would better prepare City F for obtaining financing from the State Environmental Fund (SEF) and MUFIS. Many issues were raised that the UI consultants had not thought of, reflecting in-depth knowledge of Czech laws. For example, in one group the issue of possible legal problems was raised because part of the public project was to be on private land raising doubts whether or not that might make City F ineligible for the SEF loan. There are other examples of the kind of thought and enthusiasm that went into the workshop discussions.

Municipal Energy Projects

It is hard to explain the rather poor evaluation of Jiri Zeman of SEVEN but it must be because of his delivery. The material that he covered is included in the seminar workbook and there is a lot of interesting, relevant information for municipal officials interested in financing capital projects in a professional way. It was noted about 9:45 that the participants looked glum and no one was taking notes. There seemed to be a general lack of interest in a solid presentation that was capably delivered. One of the interpreters in answer to a question said that the speech had been delivered "in a quite boring way". Zeman is a nice and seemingly capable young man. After his presentation he stayed for the rest of the seminar.

Credits in Foreign Currency

The UI consultants would certainly have rated the session of this panel higher than the participants. Mr. Berka, the moderator, started by recounting the experiences of Ostrava in foreign markets but he was interrupted several times by Mr. Merta of the Volksbank. Mr. Merta is tightly wound, very knowledgeable and aggressive to the point of rudeness. At one point during Mr. Berka's presentation, those two were having a dialogue that went back and forth so quickly that even the interpreters could not keep up. Mr. Merta's presentation tried to minimize foreign exchange risk, asserting that the biggest risk in borrowing was the interest rate risk. Ms. Skorpilova gave a solid presentation in defense of the need for a close relationship between banker and municipality, a relationship not to be sacrificed for a few basis points on a single transaction.





Legal Issues

Tomas Zagar, who has been helping with these seminars for two or three years now, used his paper as the basis for his presentation. In his presentation he covered the standard terms and conditions of loan agreements, the use of collateral, procedures for creditors to claim collateral in event of default, bonds and promissory notes. In other words, the same material that is in the latest draft of his paper, a draft that was provided on our arrival in Prague by Urban Research (UR).

One discouraging opinion came in response to a question about the use of future revenues for the payment of debt service. It seemed that Zagar was uncomfortable with this question. To paraphrase his answer, he is of the opinion that while some banks have come to the conclusion that there was no risk in making such loans, Zagar was not convinced that the legal issues were "clear" and, if he were an advisor to a bank, he would urge caution. The comment was made from the floor that Ceska Sporitelna is the only bank currently making loans against future revenues.

MISCELLANY

Venue

As reflected in the evaluation, the location of the seminar in Prague 4 was less than desirable. This change of venue was made at the last minute due to a Poland and Hungary Assistance for Economic Restructuring (PHARE) function at the Banking Institute (BI) that took precedence. The substitute facility proved to be a detriment to the success of the seminar. The room was designed to hold well over 100 persons. There was a raised dais at the front of the room, artificially distancing all speakers from the participants and this may have inhibited discussions. There were other problems, minor but important. In order to create a "break out room" for one of the two small groups, it was necessary to move desks and chairs of the large conference room into a compact arrangement off in the corner to hold the dozen participants. A third irritant was the arrangement for the coffee breaks. Instead of providing coffee, water etc., in the anteroom to the conference hall, participants were given tickets for use in a cafeteria on one of the floors below. In one break, our participants joined the queue with office workers and were very late returning to the session on legal issues.

Mobile Telephones

Participants (and presenters) should be forcefully requested either to leave their mobile phones back at the office or deactivate them during the sessions. Several participants, but one in particular, were receiving calls during the sessions, to the distraction of other participants and speakers.

Translation

Both the UI consultants and the participants rated the quality of interpretation very high. Simultaneous translation (found to be more satisfactory than sequential) was used, but modified to the extent that the interpreters were not encased in a booth and no elaborate wiring was required in advance. This equipment was generally satisfactory but technical details have to be thought through for future seminars (e.g., only one lapel microphone was available which made it awkward during panel discussions and Q & A sessions, listening devices with a battery life that seemed short).

Czech Policy Colloquium

The presentation and Q & A of Zagar emphasizes that one topic for the Czech Policy Colloquium in the fall has to be a way to improve the current legal situation concerning lending against future revenues. Zagar raised very specific points as to why, in his opinion, there exists such a gap in current legislation that he could find several arguments against using such a pledge as a basis for lending. Unless the legislation is changed and the legal issues are clarified, the municipal credit market will never reach its full potential.

Future Seminars

If there were to be further development of seminars by USAID, two appropriate topics would be, municipal project finance and municipal capital investment planning.

Czech institutions have demonstrated the capability to:

- Put on seminars that present valuable, basic information about the municipal credit market, and are well received by participants
- To successfully employ the case-study instruction method, which was new to all of the Czech presenters at the outset
- To adjust the content of seminars for different audiences—e.g., bank



personnel being exposed to the municipal credit market for the first time, municipal government officials, bank personnel that already have received prior training and have had experience with municipal lending

— To make the training seminars 100 percent self-financing

Two questions about future seminars remain not fully answered. First, to keep the case studies as relevant as possible to actual decisions that will be made by participants, the case studies will need continual revision and updating, preferably on an annual basis. It is important in particular that the case study information reflect any changes in budget presentation required by Czech law and that the substantive details of the cases correspond to current Czech law. It is not clear yet whether any Czech institution, or combination of institutions, has both the skills and the financial incentive to make these continuing revisions to the case studies, or to develop new case studies.

Second, although this seminar was envisioned originally as targeted to municipal finance officials and their advisors, it ended up attracting bankers as roughly one-third of the participants. It is clear that (a) the Banking Institute has better connections with the banking sector than it does with the municipal sector, and that its routine advertising reaches banks more effectively, (b) it is more difficult for small and medium-sized municipalities than banks to pay the full cost of the seminars. This suggests that it may be wise to schedule future seminars for a combination of bankers and municipal officials. The UTC also should be enlisted as a more active sponsor of the training seminars, especially now that the chairman of the UTC Finance Committee has personally completed the seminar training.

ATTACHMENT 1
SEMINAR EVALUATION

EVALUATION

Number of participants: 24

Municipalities: 15

Banks: 9

Number of returned questionnaires: 22

	Question:	Evaluation in Percent			
		Excellent	Good	Satisfactory	Poor
1.	How would you rate effectiveness of the general session?				
	a) Capital Budget	70	30	—	—
	b) Assessing Municipal Debt Capacity	73	27	—	—
	c) Municipal Energy Projects	32	32	32	4
	d) Credits in Foreign Currency	59	32	4	5
	e) Legal Issues	59.1	36.4	4.5	—
2.	How effective did you find the case studies format of the seminar?	73	18	9	—
3.	Would you suggest an alternative format for future seminars? Please be specific. — Concentrate on more common projects for municipal citizens — More information on methods — Separation of recurring — Separation of recurring revenues and expenditures according to new budgetary structure — Less theory more practice — Discussion in smaller group — Case studies also on diskette				
4.	Did the course materials distributed ahead of time prepare you adequately for the seminar?	16	47	21	16

EVALUATION (Continued)

Question	Evaluation in Percent			
	Excellent	Good	Satisfactory	Poor
7. What other topics would you suggest for future seminars? — Use of contract savings in financing of municipalities — Very low recovery of investments to social care and education — Methods of assessment on capital investment in local public sector — Mortgages for municipal sector — Municipal budget analysis — Municipal housing construction and banking products — Credits in foreign currency, public disclosure — Legal aspects of credits, financial management				
8. Would you prefer one day seminar?	43	57		
9. How would you rate appropriateness of the seminar place?	36	59	5	—
10. What other comments would you like to make? — Place the seminar in downtown or in BI building — Focus more on recurring revenues and expenditures				

ATTACHMENT 2
SEMINAR PARTICIPANTS

Profiles of Participants

Name	City (Institution) Population	Department	Position	Years in Position	Work Duties	Projects Financed by City	Most Interesting Topics
Ing. Miroslav Kopečný	Kopřivnice 24 449	Financial	Director	5	Financial Management	Housing Construction	Municipal Loans
Ing. Dana Stefanová	Liberec 100 049	Master Plan and Development	Head of Department	4 Month	City Development	Housing Construction, Tram Lines Reconstruction, ZOO Garden	Housing, Transport
Ing. Jana Kondasová			Development Manager	3.5			
Ing. Josef Koprůstak	Jirkov 20 458	Financial	Director	2			
Ing. Krista Soferová	Hlucín 14 572	Financial	Director	10	Budget		Credits in Foreign Currency
Ing. František Strnad	Břeclav 27 154		Deputy Mayor	6 Month	Deputy Mayor		Everything
Alena Pardovská		Financial	Director	10	Financial Management		Everything
Ing. Pavel Rathouský	Rychnov nad Knežnou 11 664	Financial	Director	9 Month	Financial Management		
Ing. Theodor Sojka	Chomutov 51 911	Economic	Director	3 Month	Municipal Finance	Roundabout, Bus Station, Industrial Zone	Municipal Debt Measures
Jaroslava Hermanová	Mariánské Lázně 15 298	Financial	Director	4	Finance Director	Subsidized Housing Construction	Municipal Budget Debt Burden
Mgr. Daniel Rovan	Praha 14	Economic	Director				
Mgr. Ladislav Ambrozek	Hodonín 28 126		Deputy Mayor	7 Month			
Ing. Ivan Černý	Úvaly 4 617		Mayor	9			
František Kouril	Kyjov 12 763		Deputy Mayor	6 Month		Housing Construction	Budgeting Credits

Name	City (Institution) Population	Department	Position	Years in Position	Work Duties	Projects Financed by City	Most Interesting Topics
Hana Chura		Financial	Director	7	Budget		
Ing. Ivana Svobodova	Ceska sporitelna						
Ing. Rene Kacmarik	Komerčni banka (Slovakia)	Client Risk Management	Business Risk Manager				
Ing. Jaroslava Navarova	Czech Moravian Guaranty and Development Bank						
Ing. Stanislava Fiserova							
Ing. Antonin Dragoun	Czech Moravian Mortgage Bank	Municipal	Bank Expert	4			
Ing. Zdena Sajasová			Chief Analyst	1			
Ing. Irena Vasilkova	Raiffeisen- bank	Corporate banking	Officer	2.5			
Ing. Jitka Lapesova	Czech Moravian Contract Saving Bank	21	Head of Department	8			
Ing. Marie Neubauerova		21	Credit Officer	3			